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FOREIGN SERVICE DESPATCH

455
NO.

FROM : AmEmbassy, Beirut

TO : THE DEPARTMENT OF STATE, WASHINGTON.

February 28, 1962.
DATE

MAR. 2 1962

REF : CEMP, D-10.

20 For Dept. Use Only	ACTION	NEA-4	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	[redacted]
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				OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	XMB					
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	REC'D	3-6-62			AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA					
						5	7	3			8	3					

SUBJECT: Transmittal of a Translation of the Lebanese Ministry of Information on Lebanon's Economic Situation.

On February 15 the Ministry of Information released a report on the economic situation in Lebanon, a translation of which is enclosed. The report represents the Government's official views.

For the Ambassador :

Leslie C. Tihany

Leslie C. Tihany
First Secretary of Embassy

Enclosure:
As stated.

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1962 MAR 8 AM 10 14

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FORM 6-61 FS-439 GPO 912596

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NAME OF OFFICER & OFFICE SYMBOL Hanson NE/E	DATE OF ACTION 3/12/62	DIRECTIONS TO RM/R File

0857

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Authority NND 949569
By PT NARA Date 7/23/04

THE LEBANESE MINISTRY OF INFORMATION'S REPORT
ON THE ECONOMIC SITUATION OF THE COUNTRY

(Translation)

In any country, conspiracies, treason-felonies and subversive activities adversely affect all sectors of life. The economic sector is especially vulnerable because it is very sensitive to politics, economics and politics being interdependent.

Everybody is aware of this, and more particularly countries which have experienced constitutional crises and the security of which has one been endangered. What happened in Lebanon has had, however, a contrary effect. This was due to the following important factors:

1 - From the beginning, the Chehab regime has strengthened Lebanon's economic structure and given the country the proper trend in making no discrimination between the commercial, industrial and agricultural sectors. In addition to this, a free economy, a large number of Lebanese and foreign banks, well-equipped sea and air ports, and a wide system of sea, land and air ways, all contributed to the strength of Lebanon's economic position, and attracted foreign investments.

2 - The prompt reaction of the security forces and army which crushed the coup d'etat in its early stage, has calmed the minds and restored confidence. The Authorities did not resort to martial law or curfew, but were content with imposing some restrictive measures in certain regions. Those who were interested in seeing stability and confidence prevail in the country, contributed, beyond any doubt, to bolster the national economy.

Novelties and Luxury Articles

Demand for these commodities remained normal, especially after winter articles - imported in October and November 1961 - had been exhausted. They were sold before the holidays, at which time demand comes to a peak. Luxury articles were sold at a good profit.

At the beginning of 1962, sales dropped by 40 to 50 percent, as is usually the case at that time of the year.

Household Appliances

What has been said about luxury articles applies also to household appliances. The seasonal drop, however, was this time somewhat accentuated, because the military measures restricting circulation prevented many prospective buyers living in the provinces from reaching the Beirut market.

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Knitting Yarn and Wool

Demand for these articles is increasing everyday, especially at this time of the year. The daily average sales of an ordinary retailer are now between LL 300 and LL 500 (from $100 to $165).

Fabrics

Demand for fabrics is usually very low at this time, with the exception of carpets and rugs which remain in rather great demand from October to February.

Cereals

During December 1961 the demand for cereals had considerably increased, and large quantities were shipped in transit to Jordan, Kuwait, Iraq and Afghanistan. This had led to the depletion of local stocks. For this reason, cereal imports increased during the first weeks of the new year, more particularly wheat and flour, of which from 10 to 15 thousand tons arrived in Beirut. It may be said that wheat and flour stocks now on hand will remain adequate until the end of May.

The price of olives and olive oil rose considerably because the Koura production did not arrive in Beirut until late in the season.

Building Materials

Building materials are still in great demand because the building industry is very active in Beirut and its suburbs, and the number of building permits granted by the Beirut Municipality remains high. The number of such permits issued during the period January 1 - 25, amounted to 93, as compared with 97 permits for the corresponding period of 1961.

It is of course natural that building, which necessitates long-term planning, should not be affected by a coup d'etat which was immediately crushed and was not able to shake local confidence in the future of the country.

Financial Situation

The situation of banks, securities, and foreign exchange is being examined herebelow.

Banks: Banks have not been affected to an appreciable extent by the abortive putsch. Every year, at the end of December, banks restrict their operations to attend to the preparation of their balance-sheets. Money, however, became tight, but such tightness did not last long. It was caused by the fact that small depositors withdrew their holdings from banks, but a week or so later, they returned them to their bankers, while large local and foreign deposits, made for periods ranging between six months and three years, were unaffected. For this reason, the note issue remained unchanged at LL 437 million ($145.7 million) with a gold cover of 92.43 percent.

0859

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Stock Exchange

The Beirut Stock Exchange (Bourse) has not been affected by the abortive putsch. The weakness which was shown during the first two weeks of the year was not due to the putsch, which has had no effect on the economic structure of the country as a whole. The slackness of the Beirut Bourse operations at the beginning of every year, is an undeniable patent fact.

While in the first week of 1962, the value of Lebanese stocks that changed hands did not exceed 390,000 Lebanese pounds ($130,000), in the second week the value rose to LL 818,000 ($273,000), and in the third week it dropped again to LL 583,000 ($194,000), but in the fourth week the value rose again to LL 1,649,000 ($549,700). Prices showed firmness, and even rose to some extent.

Students of the economic situation believe, however, that the drop in the number of shares that changed hands during the third week of January was due to slow-down in speculation, rather than to the putsch itself.

Foreign Exchange

The rates of foreign currencies did not rise appreciably after the putsch. If we take the dollar rate as a basis we find that it rose by 2 piasters (US ¢ 2/3) during the first four days following the "coup", and then dropped again. Financial circles attribute the drop in foreign currency rates to the fact that the Lebanese pound remained sound despite the abortive putsch.

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FOREIGN SERVICE DESPATCH

FROM : Amembassy BEIRUT

454
NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 1, 1962
DATE

MAR. 1 1962

REF : CERP Section C, Item I, Despatch 423, February 15, 1962.

For Dept. Use Only	ACTION	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	AID
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	3-6-62				30	16	20	2		8	3	4	3			

SUBJECT: Biweekly Economic Review No. 5, Lebanon - Period Ending March 1, 1962.

CONTENTS

1. HIGHLIGHTS

GENERAL ECONOMIC
2. Government Calls Economy Sound

FINANCE
3. Annual Meeting of Lebanese Bankers Association

ARAB BOYCOTT
4. New Firms on Boycott List

INDUSTRY
5. New Fruit Juice Factory Opens
6. Kassib Case - Recovery of Electrical Utility Concession by GOL

LABOR
7. Labor Briefs

AVIATION
8. Lebanon Scheduling Air Talks

COMMERCIAL OFFICE
9. American Business Visitors

AGRICULTURE
10. Fruit Exports Substantially Exceed 1960/61 Season

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Authority NND 949569
By PT NARA Date 7/23/04

1. HIGHLIGHTS - OFFICIAL USE ONLY

The conclusion of a supplemental agreement on transit fees and settlement of past claims between the Syrian Government and TAPline last Sunday received considerable attention in the Lebanese press, although government officials refrained from comment. One analysis of the royalties situation, by the Commerce du Levant, pointed out that Lebanese acceptance of similar terms would produce revenue from TAPline far inferior to that which would result from application of the formula presently enjoyed in the Lebanese-IPC agreement. It is probable, however, that the Lebanese negotiators will be unable to push any claims for settlement on the IPC terms, given TAPline's different operating situation and with their negotiating position weakened by Syria's agreement to the TAPline proposal. On the basis of 1961 TAPline throughput, Lebanese income from a new agreement on the Syrian pattern would be roughly three times as much as is now received. TAPline officials are not as yet decided on whether to proceed with an early resumption of negotiations with the Lebanese or to seek a Jordanian agreement first.

A bonus equivalent to one month's pay has been granted by the Lebanese Government to members of the Army and other security forces, as a gesture of thanks for support during the aftermath of the December 31 abortive coup. Recipients of this bonus, which channeled a reported LL 6,150,000 ($2,075,000) into the economy, included civil servants of the central administration of the Ministry of Defense and military tribunals, judges of military tribunals, customs agents and firemen at Beirut International Airport and at Tripoli.

Rainfall in the Bekaa valley this season (523 millimeters) remains well above last year's accumulation (355), although slightly below the norm. Coastal fall is below both last year and the norm, but remains adequate.

The dollar rate stayed below the three pound mark for most of this period, with the quotation at LL 2.9925 on February 28. (DRM)

GENERAL ECONOMIC

2. UNCLASSIFIED - Government Calls Economy Sound (CERP D-10; Emb A-154; Embdesp 455)

On February 15 the Ministry of Information released a statement to the press stressing that the abortive coup of December 30-31 has not had a damaging effect on the national economy. The release highlights continuing demand for luxury articles, household applicances, knitting yarn and wool, fabrics, cereals and building materials; and underlines the basic soundness of the financial situation.

OFFICIAL USE ONLY - COMMENT: The press release is, of course, politically motivated, and was designed to strengthen confidence in the economy. The Embassy agrees with its conclusions as far as short-range coup effects are concerned, which do not appear to have caused serious or permanent damage to the economy. Long-range adverse effects, if any, will not appear until after the beginning of large-scale touristic and commercial movements at Easter.

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A somewhat more objective assessment of the post-coup economy by leading Lebanese economist Paul KHLAT, was published in L'Orient on February 28. Khlat agrees that the coup has apparently caused no damage, but points to certain continuing flaws in the economy which are not connected with the coup. These flaws, according to Khlat, are: financial congestion, excess of Treasury receipts over Treasury spending, seasonal commercial stagnation, and the tendency of local capital to seek foreign investment opportunities. (LCT)

FINANCE

3. UNCLASSIFIED - Annual Meeting of Lebanese Bankers Association (CERP D-12)

At the annual meeting of the Lebanese Bankers Association on February 23, 1962, new officers were elected and the 1961 annual report was approved. Ten banks were admitted to membership so that the association now has a total of 32 members, including four American banks.

OFFICIAL USE ONLY - COMMENT: Still conspicuous by its absence from the Association is Intra Bank, the largest Lebanese bank. An Intra Bank assistant manager has stated that as long as Mr. Pierre EDDE remains the Association's president, Mr. Yusef BEIDAS will refuse to have Intra Bank join the Association. (JHA)

ARAB BOYCOTT

4. UNCLASSIFIED - New Firms on Boycott List (CERP D-13; Emb A's 202, 205)

Third and fourth boycott decrees published by the Ministry of National Economy since February 6 have placed on the Lebanese blacklist 56 additional foreign firms, of which 23 are American. The newly boycotted US firms are: Import from Israel; Israel Loan Distributor Corp.; Tel Aviv Import Corp.; The Dayton Rubber Co.; Israel Philatelic Agency in America; Minkus Publications Inc.; Pavelie Trading Co.; Israel Religious Art, Inc.; National Dynamics Corp.; American Electronic Laboratories, Inc.; Gruner and Co.; Foster Grant Inc.; Israel Art-Craft Imported Co.; Vaco Products Co.; H.N. Graver; Israel Purchasing Service Inc.; Isaac J. Shalom and Co. Inc.; Harry Brager and Co.; Fullcut Manufacturers; Quick-Way Truck Shoubel; Bayway Terminal Division; Pratt and Whitney Co.; Colt's Patent Firearms Co.

LIMITED OFFICIAL USE - COMMENT: Other symptoms of the stiffening Arab boycott in Lebanon have been the cancellation of scheduled S.S. ATLANTIC commercial voyages Nos. 29 and 30 (though the S.S. CONSTITUTION will call at Beirut in the course of a tourist voyage on March 13); and the inability of the Greek vessel S.S. PERICLES last week to discharge at Beirut her cargo of 10,000 MT of wheat. The Embassy believes that local forces opposed to a rigid enforcement of boycott rules, which they consider harmful to Lebanese economic interests, are eager to exert a mitigating influence at an early opportunity. (LCT)

0863

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Authority NND 949569
By PT NARA Date 7/23/04

INDUSTRY

5. UNCLASSIFIED - New Fruit Juice Factory Opens (CERP D-14)

On February 15 Prime Minister KARAME officially opened the La Fruta fruit juice factory on the outskirts of Beirut. Representing an investment of LL one million, this factory, equipped with Italian machinery, is currently canning about 40 tons of apple and orange juice a day. The owners of the plant expect to export their canned juices to markets in the Arab countries.

UNCLASSIFIED - COMMENT: With its abundant supplies of fruits, it is surprising that Lebanon has had no fruit juice factory until now, particularly since such an industry would provide a ready outlet for bumper fruit harvests and for fruits of substandard size and quality.

The Embassy has heard that several others are also considering the establishment of fruit juice factories. Some of them have expressed an interest in purchasing American-made juice extracting machinery. (JHA)

6. UNCLASSIFIED - Kassib Case - Recovery of Electrical Utility Concession By GOL (CERP D-16)

March 1, 1962 is the date for the termination of the concession and the authorization of payment to American citizen Ernest KASSIB for his investment in the Jounieh Electric Company, which he has had under lease for the last five years. Last week the Lebanese Parliament passed a decree which, if signed by the night of February 28, 1962, will reimburse Mr. Kassib "reasonably well" for that investment.

LIMITED OFFICIAL USE - COMMENT: Mr. Kassib commented to an Embassy officer that if the decree were not signed, he might stand to gain a larger compensation in a "recount," (recalculation of assets). Mr. Kassib's frame of mind on February 27, 1962 was a happy one and a far cry from his position of last year when he visited this Embassy with claims of imminent "GOL expropriation" of his investment. (JCW)

LABOR

7. UNCLASSIFIED - Labor Briefs (CERP D-17)

In a surprise move February 26, the General Assembly of the American University of Beirut Employees and Workers Union voted not to approve the agreement concluded two weeks ago between their Executive Board and the University Administration (see BER 4). According to a member of the Executive Board, the membership wants included in the agreement a clause to the effect that during the period of the agreement no employee or worker shall be dismissed except for a felony.

The four Lebanese delegates to the ICFTU-sponsored Naples seminar on the program of the United Nations Food and Agriculture Organization (see BER 4) last week joined other Arab delegates from Syria (Talaat TAGHLULY, President of the Syrian Federation of Labor), Jordan (Sami MANSOUR, President of the Drivers Union)

0864

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and Iraq (Ibrahim Jawad AL SALEH, President of the Iraqi Labor Federation) in refusing to participate at the seminar meetings as long as Israeli delegates were present. According to ICFTU's Beirut representative, the seminar was cancelled, although the confederation managed an ad hoc three day program for the Arab group, including a day with the Italian Federation (CISI), and a day at the FAO central office in Rome.

The leftist-oriented labor "Congress" (see BER 4) held two more meetings during the past two weeks, and issued pronouncements on several social welfare issues, including pending social security legislation and the problem of public housing and rent control. The government is taking no official notice of their existence and their "resolutions" are likely to arouse no interest. According to an FITU official, only 5 of the 11 FITU affiliates are participating, while the three FUNL affiliated unions withdrew after the second meeting at the insistence of FUNL President Mustafa HAMZI. (DRM)

AVIATION

8. UNCLASSIFIED - Lebanon Scheduling Air Talks (CERP D-16)

According to Beirut press reports, Lebanon is currently considering early negotiation of civil air agreements with India, Pakistan, the Sudan, Tunisia, Austria and Nigeria.

OFFICIAL USE ONLY - COMMENT: There is no current reason to believe that any of the negotiations mentioned is likely to prove difficult. With the lone exception of India (with which Lebanon already has initiated air agreement), Lebanese authorities probably intend little more than to formalize existing informal working agreements. (JHE)

COMMERCIAL OFFICE

9. UNCLASSIFIED - American Business Visitors

The log of the Commercial Office shows that the following Americans or representatives of American companies conferred with the Embassy between February 14 and February 27:

Mr. Adrian E. Salloum, District Manager, IBM World Trade Corporation; Mr. G.H. Shingleton, Regional General Manager, and Mr. K.T. Striebel, Regional Sales Manager, National Cash Register Company, Dayton, Ohio; Mr. Albert G. Bedwell, H.D. Sheldon & Company, Inc., New York; Mr. Arthur A. Casazza, Chief Engineer, Lebanese Air Transport Co.; Mr. Clifford F. Gurney, M.E. Office, Tolstoy Foundation, Inc.; Sir William Elliot, Assistant to the President, AMF, New York; Mr. William Moore, Mr. Adnan Shoucair and Mr. Amin Ladki, Compagnie de Television du Liban et du Proche-Orient SAL (ABC); Mr. W. Vernon Tietjen, TAPline; Mr. Otis Eisenhood, President, Middle East Export Press (Panama Registration); Professor Orris Blackwell, American University of Beirut; Mr. J.P. Nahas, Oilfield Supplies; Mr. Henri Shoucair of International-Universal

0865

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(COMMERCIAL OFFICE - Item 9 cont'd)

Films; Mr. E.C. Matlock, President, Houston Well Screen Co., Houston, Texas; Mr. Michel R. Visconte, Johns-Manville, International, New York; Mr. Andrew G. Lontai, Regional Sales Director, American Motors Corporation; Mr. Henry Paulman, Discovery Magazine, Chicago (Sears-Roebuck Affiliate); Mr. J.E. Schmutzler, Special Regional Representative, Firestone International, Akron, Ohio; and Mr. F.J.K. Laurie, Regional Representative, Armco, Middletown, Ohio. (JCW)

AGRICULTURE

10. UNCLASSIFIED - Fruit Exports Substantially Exceed 1960/61 Season

Through January 31, 1962 apple exports were up 47%, oranges 15%, and lemons 10% over the previous marketing season. While some of this gain could be attributed to technical factors, the main reason for the increase is larger crops. Exports were mainly to the sister Arab countries; 74% for apples, 98.5% for oranges, but only 24.5% for lemons. The Soviet Bloc took 10% of the apple exports, almost none of the orange exports, but 74% of the lemon exports. Soviet imports of Lebanese apples were roughly 1,000 tons over last season; imports of oranges were 2,000 tons under last season; and imports of lemons 1,300 tons over 1960/61.

UNCLASSIFIED - COMMENT: Apples have made some gains in Western Europe over 1960/61, mainly in the U.K. and the Netherlands. However, the citrus crop (which is delicious enough to do better) is making very little progress. A good deal of work on co-operative pricing, quality control, and merchandising still needs to be done to correct the present imbalance. (JCW-MB)

For the Ambassador:

Richard B. Parker
First Secretary of Embassy

Contributors:
LCTihany, JHEnnis, JHAshida, DRMorris, JCWeisert, MBekhash

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OUTGOING TELEGRAM Department of State

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TOICA 460

In general Department favors US technical assistance to help less developed countries improve their tax structures and public administration as means stimulating economic growth. In this context Department agreed with some reluctance that ICA should look into prospects obtaining tax consultant for Ministry Planning on contract basis (ICATO 396). However, crash program aspects reftel raises further questions our minds re wisdom USG providing American consultant GOL in this highly sensitive field. We also puzzled by fact GOL Ministry Finance does not rpt not appear be party to this request.

Department particularly concerned that any tax reform designed increase GOL portion Lebanese GNP very likely be highly unpopular and vigorously opposed by influential free enterprise commercial and financial communities. Thus instead gaining kudos USG and American tax consultant may end up as scapegoats, fair game for demagogic politicians and source of irritation to commercial and financial communities, which on whole have been among our best friends in Lebanon.

FYI ONLY. In recent conversation Lebanese Ambassador spontaneously advised against USG providing American tax consultant for foregoing reasons. He asked that his view not rpt not be disclosed to GOL. END FYI ONLY.

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LWS

Drafted by: NEA:NE/E:GBennsky:smh 3/11/60

Telegraphic transmission and classification approved by: NE - Armin H. Meyer

Clearances: NE - RSWilliams(in draft) RSW NE - TAWahl(in draft) TAW ICA - Mr. Kean(substance) JK

S/S-CR

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In these circumstances Department believes that perhaps best answer might be French-speaking tax expert from Europe, e.g., Switzerland. Your comments requested.

Herter

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FOREIGN SERVICE DESPATCH

506
NO.

FROM : AMEMBASSY, Tel Aviv, Israel

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 14, 1962
DATE

REF : CERP, C-3

For Dept. Use Only	ACTION	NEA-4	INFO	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	IO	AID ~~ICA~~
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					AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	NSA					
						35	16	20	2		10	3					

SUBJECT: BI-WEEKLY ECONOMIC REVIEW, Covering Period March 1 - 14, 1962

INDEX

	Page
HIGHLIGHTS	2
FINANCE	
1. IL. 2,357.4 Million Budget Proposed	2
2. Aftermath of Devaluation	2,3
3. Better Budget Performance April through December 1961	4
4. Compulsory Payment Legislation Extended	4
5. Double Taxation Avoidance Agreement Signed with Great Britain	4
PORTS	
6. No Progress in Ashdod Port Negotiations	4
7. Eilat Port Tender	5
8. Haifa Port	5
LABOR	
9. Mapai and GOI Explain Devaluation to Workers	5
10. Wildcat Strikes of El Al Pilots and J'lem Garbage Collectors	6
FOREIGN TRADE	
11. Eshkol Reviews Trip to Europe	6
12. Exporters' Day Celebrated	6
13. Slow Progress in Early 1962 Exports	7
AGRICULTURE	
14. New Agricultural Attache Arrives	7
15. Israeli Oranges Sold in New York	7
16. Eastern Negev Suffers from Drought	7
ELECTRICITY	
17. Electric Power	7
TECHNICAL ASSISTANCE	8
SCIENCE	8, 9

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JMEalum:JFShaw:HWBaker:cs

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0869

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HIGHLIGHTS

Devaluation effects continue to be felt even as the first month of the New Economic Policy ends. The budget proposal for 1962-63 has had to be revised and as finally submitted to the Knesset by Minister of Finance Eshkol totalled IL. 2,357.4 million. While the Government has approved price increases in some lines from 5 to 35 percent, the Director of the Economic Planning Authority predicts that by July prices will have in general risen only 6 percent.

Construction at Ashdod port continues to be bogged down. The contractor, Solel Boneh, reports that the Government has gone out of its way to meet the preliminary demands of the Kaiser Engineering Company which has been asked by the Ministry of Transport to replace Solel Boneh's French partners. Kaiser allegedly keeps stipulating new conditions while GOI grows cool to the whole idea.

Another wildcat strike has upset labor harmony the past week. In an effort to press for only 8 consecutive flying hours on the Boeings, El Al crews provoked the management of the national airline to ground all planes and resort to charters to fulfill its schedule until the dispute is settled.

FINANCE

1. IL. 2,357.4 Million Budget Proposed

Minister of Finance Eshkol introduced the FY'62-63 budget of IL. 2,357.4 million in the Knesset on February 27. (See Desp. 447 of Feb. 14, 1962). This proposed budget exceeds the current year's budget by IL. 362.9 million or 18 percent. Mr. Eshkol explained that devaluation resulted in an increase of expenditure in the ordinary budget and development operations of IL. 152 million, and that additional IL. 125 million were needed to serve foreign debters on account of interest and capital repayments. The budget proposal sets aside a sum of IL. 155 million for special purposes including investment of a defense nature, a reserve for price increases and a surplus of IL. 40 million. The budget proposal does not any longer include appropriations for encouragement of export and capital import but raises net expenditure on subsidization of essential goods and services from IL. 43.5 million to IL. 77 million.

Mr. Eshkol also announced that the envisaged increase in tax income by IL. 82.2 million or 20 percent will result from higher national income and more efficiency in tax collection but that neither new taxes nor an increase in the rate of direct or indirect taxes were intended.

2. Aftermath of Devaluation

The regular supply of goods has been secured at a slightly raised price level by agreement between the GOI and the importers and manufacturers. Importers agreed to clear goods in Haifa port after arrangements had been made by Government intervention for providing bank guarantees and credits to finance surtax payments. Negotiations with industry leaders have resulted in

0870

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agreement on prices in most industrial branches. Minister of Agriculture Dayan, has publicly affirmed that agriculture would be guaranteed profitability at the predevaluation rate, if necessary, by higher Government subsidies.

a. Price Increases

Price increases have been approved by the Government in the following lines of consumption goods at the rates indicated:

Tea	35 percent
Dried Beans	40 "
Herring	25 "
Dried Fruit	15 "
Coffee	10 "
Rice	7.5 "
Shoes	7.5 "
Paper & Paper Products	22 "
Tyres	10 "
Plate Glass	5 "
Cordage	12 "
Toilet Soap & Cosmetics	12 "
Laundry Soap	10 "

Comment: Mr. D. Kochav, Director of the Economic Planning Authority, has predicted that the general price level will have risen 6 percent by July 1962.

b. Mortgage Debtors Demand Concessions from Private Banks

Debtors of dollar linked mortgages granted by private banks continue to demand concessions similar to those granted to debtors in Government financed housing schemes. They have made representations with officials of the Ministry of Finance, the Finance Committee of the Knesset, and have organized mass street demonstrations.

Comment: Most of the private mortgage banks have recruited foreign funds for granting mortgage loans and will therefore find it difficult to make concessions to the debtors of dollar linked mortgages.

c. Bank Fees for Foreign Trade Transactions Reduced

Upon Government suggestion, commercial banks have agreed to reduce the percentage of commission fees charged for opening letters of credit from 1 ½ percent to 7/8 percent.

d. Stock Exchange Remains Firm

The trend on the stock exchange remained firm during the last fortnight with dollar linked bonds going up by 1 to 3 points and stock of many industrial companies improving between 1 to 2 percent.

0871

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Authority NND 949569
By PT NARA Date 7/23/04

3. Better Budget Performance April through December 1961

The provisional Financial Report of the Accountant General for the months April through December 1961 reveals that expenditure during this period exceeded revenue by IL. 23 million and that 69.5 percent of the annual estimates were received during the first nine months of the year. Revenue from customs duties, fuel taxes and excise duties exceeded 75 percent of the estimate for the whole year.

Comment: The data published compared favorably with the budget performance during the first six months of the year and during April/December period 1960. The excess of expenditure over revenue was IL. 36.9 million on September 30, 1961 and IL. 49.1 million on December 31, 1960. In the light of this development, it can be reasonably expected that expenditure during the total fiscal year ended March 31, 1961 will not exceed revenue collected during this fiscal year.

4. Compulsory Payment Legislation Extended

The Knesset has passed in first reading a law extending the validity of the emergency regulations which authorize the Government to impose compulsory payments for regulating the market and absorbing excessive profits for an additional three years. In introducing this legislation, Minister of Commerce and Industry Sapir explained that an extension was necessary because there still exist industries in Israel which must be protected against foreign competition. This device was used since Israel's membership in Gat prevents her from introducing any new legislation on the subject which was not in force in May 1959.

5. Double Taxation Avoidance Agreement Signed with Great Britain

The press reports that an agreement was signed in London on February 26 between the Government of Great Britain and Israel on avoidance of double income taxation, particularly with respect to investment in one country by a citizen of the other country.

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PORTS

6. No Progress in Ashdod Port Negotiations.

As reported in Embassy Desp. 369 of Jan. 15, 1962, Kaiser Engineering was called in by GOI to consider replacing the French consortium, partners to Solel Boneh, the original contractor for the construction of Ashdod port. Last week according to Solel Boneh, the Government agreed to meet Kaiser's original bid of $32.7 million which would give Kaiser a bonus of something like $2.5 million. The most recent development is that Kaiser indicated to Solel Boneh that they wish to send a team here to reestimate the job, the cost to be absorbed by Kaiser if the decision to participate is affirmative, the cost to be absorbed by Solel Boneh should Kaiser decide not to participate. Solel Boneh did not agree to this and it appears at this stage that a joint venture with Kaiser will not materialize.

0872

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Comment

Official circles concerned with the construction of Ashdod are disillusioned and irritated with the direction the negotiations have taken. It is possible their disillusionment may adversely affect the position of American contractors interested in other projects here in Israel. With the passing of each day the Government is becoming more embarrassed, the work is falling further behind schedule and the prospects of finishing the job on schedule grow dimmer and dimmer. Should no agreement be reached with Kaiser this week, it is likely GOI will drop Kaiser completely.

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7. **Eilat Port Tender**

Israel's Ports Authority intends to issue an international tender in May for new construction at Eilat port totalling IL. 6 million. The new addition, to be situated 2 kms. south of the present roadstead, will be able to handle up to 500,000 tons annually, and construction is scheduled to be completed by the end of 1964. The master plan was prepared by Pierre Calo, the Le Havre Port Manager and was adapted by Frederick R. Harris of New York.

In the meantime the Ports Authority has invited some twenty Israeli firms to register their interest by March 6 for the earth-moving portion of this project which involves about 1 million cubic meters, including a reclaimed area of about 35 acres. The engineering branch of the Ports Authority indicated that this part of the Eilat port scheme is a limited local tender since it was felt that foreign companies would not be interested in participating at this stage. Details on the international tender will be submitted as soon as possible.

8. **Haifa Port**

Although the problem of clearing import cargo from the docks in Haifa was solved after a negotiated agreement, the situation there is still unsatisfactory. Latest reports indicate that congestion was aggravated by the arrival of three large tourist liners which took up much of the space on the main quay. March 5 saw 35 freighters anchored but the cargo from only 16 of these could be handled due to lack of space and as a result turnover dropped to 7,500 tons or about half the normal daily total. A shipping expert commented that demurrage payments to ships during the past six weeks have reached about $1 million not counting the loss caused by damage to citrus exports through slow loading operations.

LABOR

9. **Mapai and GOI Explain Devaluation to Workers**

Following the Histadrut resolution supporting the government's new economic policy, Histadrut representatives and top GOI and Mapai leaders met with factory and farm workers to explain this program. In a meeting on March 11, Mapai factory shop stewards, top Mapai government leaders, including Prime Minister Ben-Gurion, Finance Minister Eshkol and Commerce Minister Sapir as well as Mapai Secretary General Barkatt, called for worker support of the NEP.

0873

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

Comment: Some worker leaders have felt the Mapai Ministers in the Government were somewhat remiss in not moving quickly to support the NEP among workers and this meeting may be the GOI reaction.

10. Wildcat Strikes of El Al Pilots and Jerusalem Garbage Collectors

Following a short wildcat strike last week, Jerusalem garbage collectors have returned to work. Following closely thereafter El Al pilots demanded that flying time on the Boeings be limited to eight consecutive hours and commenced their campaign by refusing to make a flight from Chicago. El Al's management reacted by immediately suspending all flights and chartering Alitalia and the Irish national airline to fly El Al's schedule. A compromise appears possible based on 9 consecutive hours flying time and 14 hours duty time.

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Comment: Wildcat strikes such as these of the engineers, postmen, and now the garbage collectors and pilots are a headache to Histadrut. However, most of these disputes have been resolved and Histadrut remains confident of its ability to provide worker support for the NEP. These strikes may also reflect the growing strength of pressure groups in labor and the slowly increasing problems of Histadrut in providing centralized policy directions of workers and farmers as Israel proceeds in its relatively rapid economic development. It is significant, however, that Israel's system of free collective bargaining and of preserving the right to strike has produced more effective labor support for and sharing of economic development than in many developing countries.

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FOREIGN TRADE

11. Eshkol Reviews Trip to Europe

On returning from his trip to European capitals where he held conversations with the heads of the economic ministries of Italy, France, Western Germany, Netherlands and Belgium and with the leaders of the E.E.C., Minister of Finance Eshkol expressed his belief that more understanding had been achieved for Israel's need of an arrangement with the E.E.C.

Subsequently it was announced that in their March 6 meeting, the Committee of Ministers of the E.E.C. had decided to postpone their discussion on the experts' report on Israel's application.

12. Exporters' Day Celebrated

Certificates for "recognized exporters" were distributed on March 5 in Jerusalem to about 250 exporters who during 1961 had exported goods in excess of $100,000. In addresses by the Minister of Commerce and Industry, the head of the Foreign Trade Division in the Ministry of Commerce and Industry and the

0874

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

President of the Export Institute, stress was laid on the necessity of saving in costs and more efficiency in handling exports even after devaluation if progress in exports is expected to continue. The Minister declared it "feasible" that total exports would rise from $403 million in 1961 to $500 million in 1962, with visible exports rising from $238 million to $300 million.

13. Slow Progress in Early 1962 Exports

The Central Bureau of Statistics has announced that the value of Israel's exports during the months of January and February 1962 was $59.9 million compared with $56.2 million registered for January through February 1961.

Comment: The increase of 6.5 percent compares unfavorably with progress made in 1961 and 1960 when the value of January/February exports exceeded exports during the corresponding months in the previous year by 8.6 percent and 22.9 percent respectively.

AGRICULTURE

14 New Agricultural Attache Arrives

Mr. Norman J. Pettipaw, newly assigned Agricultural Attache, arrived in Israel on March 13 to commence his duties.

15. Israeli Oranges Sold in New York

The first shipment of 5,000 small cases of oranges arrived in New York a few days ago. Another shipment is under way and a third shipment is being planned. Following these shipments, a decision will be made by the Citrus Marketing Board whether to start shipment of oranges on a commercial scale to the United States.

16. Eastern Negev Suffers from Drought

About 25 percent of the feed grains in the Eastern Negev have been a complete loss due to lack of rain. This is the fifth year in which drought has been responsible for a very low crop. Another 25 percent of the feed grain area can only be saved by large quantities of rain in the very near future.

Comment: For the whole of Israel rains this season are equal to the normal to date, and exceed last year's rains slightly except in Beersheba where rainfall is behind last year's and the normal.

ELECTRICITY

17. Electric Power

The Israel Electric Corporation's new "Haifa 2" power station was completed at the beginning of March and the two 75,000 KW units in this station have increased the company's generating capacity to 560,000 KW.

0875

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

IEC now has a reserve power capacity for the first time in its history which will enable the withdrawal of older units for urgent overhauls. Construction of the new station began in 1958 and cost nearly IL. 60 million. Equipment was acquired in Germany from reparation funds and the units are the most up-to-date in the country. IEC is currently erecting an identical power plant at Ashdod and its two 75,000 KW generators are planned to go into operation in 1963 and 1964.

TECHNICAL ASSISTANCE

Seminar for Asian Rural Youth: This two-week seminar, now being held at the Rutenberg Youth Center, is under the auspices of W.A.Y. (World Assembly of Youth) and the Council of Youth Movements in Israel. 23 delegates from Asia, seven observers from Europe and 10 Israel youth leaders are attending. The lecturers include representatives of the FAO and UNESCO, mainly from Asia, and several Israelis. Among the subjects being discussed are education and culture for rural youth, agricultural experience in Israel and the principles of regional agricultural development.

****

Israeli Agricultural Attache to South America: It is expected that Mr. Yitzhak Levy, former Director General of the Ministry of Agriculture, will be appointed Agricultural Attache in Rio-de-Janeiro with the rank of Minister. Mr. Levy will investigate to what degree a cooperative program between the two countries is feasible. If increased Israeli participation should be considered practicable, a team of experts will be sent to work under Mr. Levy's direction.

Technical Aid Pact with Costa Rica: An agreement for technical cooperation and exchange has been concluded to take effect in May. The future Costa Rican Minister of Industry, who, together with President Francisco Orlich had been touring Israel, is staying on to study the organization of the Ministry of Commerce and Industry. According to Mr. Orlich, planners from his country will soon be coming to study the Lachish development project and a Costa Rican diplomatic mission will be established in Jerusalem.

****

SCIENCE

Industrial Research New Exempt from Tax: Prof. David Ginsberg, acting President of the Haifa Technion, has announced that expenditure on industrial research will not be subject to tax for three years from April 1962. Prof. Ginsberg expressed the hope that this measure would make industrialists more "research conscious". He pointed out that as yet there is hardly any contact between scientists and industry. Israel possesses scientific manpower of an international standard, yet because of her lack of development facilities,

0876

DECLASSIFIED
Authority NND949569
By PT NARA Date 7/23/04

discoveries are being sold to foreign companies, thus depriving the Israeli economy of any real benefits. According to Prof. Ginsberg, the initiative for undertaking research would have to come from industry. He pointed out that although the Government will raise its expenditure on this item to IL. 20 million in the coming fiscal year, this would be inadequate. In Israel private enterprises pay substantial sums for foreign know-how but allocate hardly anything to local applied research.

FOR THE AMBASSADOR:

James M. Ealum
Third Secretary of Embassy

Approved:

John F. Shaw
First Secretary of Embassy

POUCH TO: Amman, Ankara, Beirut, Cairo, Damascus, Dhahran, London, Rio-de-Janeiro, Haifa, Jerusalem, USCINCEUR PARIS, HQ USAFE WIESBADEN, CINCHUSAR HEIDELBERG, USDOCOSOUTH NAPLES, San Jose.

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FOREIGN SERVICE DESPATCH

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NO.

FROM : Amembassy BEIRUT

TO : THE DEPARTMENT OF STATE, WASHINGTON.

March 15, 1962
DATE

MAR 15 1962

REF : CERP Section C, Item I, Despatch 454, March 1, 1962.

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67	ACTION	NEA 4	INFO	DEPT	RM/R 2	REP 1	AF	ARA	EUR 3	FE	NEA	CU	INR 10	E 3	P	IO	AID ~~IOA~~ 11
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SUBJECT: Biweekly Economic Review No. 6, Lebanon - Period Ending March 15, 1962.

CONTENTS

1. HIGHLIGHTS

ECONOMIC RELATIONS
2. Shift in Lebanese Attitude Toward EEC
3. Boycott Reorganization Proposed

FINANCE
4. Expenditures on Public Works Project

LABOR
5. Lebanese Labor Confederation Formed

FOREIGN AID
6. AID Disbursements

COMMERCIAL OFFICE
7. New Car Registration
8. American Commercial Visitors

TOURISM
9. Visit of S.S. CONSTITUTION

AVIATION
10. Air Liban Personnel Threaten Strike
11. TMA Buying Additional DC-4s

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DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

1. HIGHLIGHTS - UNCLASSIFIED

Beirut retail trade commenced its seasonal upswing with holiday spending at the end of Ramadan, although wholesalers still report their business as slow. Trading has also been rather slow at Beirut's stock market these past two weeks. Official and semi-official statements continue, however, to emphasize the health and vigor of the Lebanese economy. The latest statement, by the Lebanese Bankers Association, pointed to 1961 as a very good year, and noted that there had been only 21 bankruptcies last year compared with double that number in 1960. Customs receipts during February showed an increase of LL 400,000 over the LL 8.2 million collected during the same month in 1961, but a drop of about LL 800,000 over January 1962.

On the money market, the recent lowering of the bank rate in the UK appears to have had no effect on the sterling exchange rate. The dollar rate remains unchanged at LL 2.995.

The Government has reportedly appointed a special committee to study a proposal by Beirut merchants to lower by 30% port dues on goods received here for transit to other countries. Should the proposed reduction be authorized, in addition to a recent 20% cut, transit port dues would be 50% less than last year.

Signature by the Government of Jordan of a new transit-fee agreement with TAPline on March 13 leaves only Lebanon with negotiations still underway. There has been some ado in the Beirut press calling for fringe benefits for Lebanon, with the argument that since Lebanon's pipeline mileage is so much smaller than either Syria's or Jordan's, she will get a much smaller royalty increase. Such articles, however, show little or no understanding of the TAPline proposals, which will probably be accepted by the Karame government, netting Lebanon a three-fold increase in income from TAPline.

Accumulated rainfall, as of March 11, remained above normal in the Bekaa valley, and satisfactory along the coastal plain. (DRM)

GENERAL ECONOMIC RELATIONS

2. UNCLASSIFIED - Shift in Lebanese Attitude Toward EEC

The negative Lebanese attitude toward EEC appears to be shifting to a positive and possibly approving stance. Indications of an apparent shift are: (a) visit of a semi-official EEC representative to Lebanon last week for the purpose of discussing the establishment of an EEC liaison office for the Arab countries in Beirut and of an Arab League liaison office for EEC member countries in Brussels; and (b) an announcement on March 10 of the Lebanese Foreign Ministry that the GOL will soon designate Nagib SADAKA, Lebanese Ambassador in Brussels, as observer at EEC headquarters. These two developments coincide with press reports from Brussels datelined March 9 that the Foreign Commerce Committee of the European Parliamentary Assembly has recommended against EEC-Israeli "association" and suggested instead a form of "commercial coordination" in accordance with Articles 111 and 113 of the Treaty of Rome. The Lebanese press has reported that

0879

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

GENERAL ECONOMIC RELATIONS
(Item 2 cont'd)

Foreign Minister TAKLA will summon EEC envoys in Beirut for discussions this week concerning EEC-Israeli relations; and that the agenda of the forthcoming Arab League Council meeting (currently scheduled for Riad) will include the questions of organizing an Afro-Asian and a "non-aligned nations'" common market. These two common markets have been projected, according to the press, in order "to face up to the EEC."

LIMITED OFFICIAL USE - COMMENT: From the Lebanese political point of view the EEC problem is influenced by the facts that the UAR is antagonistic toward EEC while Israel seeks some form of association with it. From the Lebanese economic point of view, EEC, by virtue of its "buy-less and sell-more" foreign commercial and restrictive agricultural import policies, has been an unwelcome development. If, however, a compromise could be found to make it appear that Israel is not "associated" but only "cooperating" with EEC; and if, further, a bilateral trade agreement could be worked out between Lebanon and EEC, tying Lebanese exports (fruit) to EEC countries to Lebanese imports from these same countries on a quota basis, the hands of those Lebanese who seek to promote Lebanese economic interests would be strengthened against those Lebanese who take their cue from Cairo. The present trend from a negative to a positive Lebanese stance on EEC seems to be in this direction.

From the EEC point of view Lebanon, as an Arab country where private business interests are in a position to influence government policy, is a soft sector in the hostile Arab front against a European common market. Working from Beirut and, after an Algerian settlement, from a Moghreb capital, Cairo could be economically isolated and the effects of its opposition to EEC lessened. In any event, Beirut has an economic hinterland which, with its oil and cotton, is of interest to EEC; while Cairo represents a rather uninteresting economic area. True, EEC discourages third-country agricultural exports; but, on the other hand, a few thousand tons of Lebanon fruit distributed among 300 million European consumers may be worth the advantages to be thus obtained.

The Lebanese press is divided as far as EEC is concerned: Arab nationalist papers oppose it; some Lebanese nationalist organs are now openly in favor of it. Pro-UAR Ach Chaab recommends a concentrated development of Arab economic relations with the Bloc in order to avoid the "domination of the dollar." Communist An Nida has declared that association with EEC would place Lebanon under "the imperialist domination of Bonn and Washington." On the other hand, Phalangist Al Amal stresses that "no Arab state (the UAR) has been given a mandate to threaten EEC with a rupture of economic relations with the Arab states in the event Israel adheres to the Market" and recommends negotiations between EEC and the projected Arab Common Market. Pro-West L'Orient sees Arab and EEC economies as "complementary rather than competitive," and declares in favor of a Lebanese-Syrian initiative toward "outright cooperation" with EEC.

From the U.S. point of view an economically unaffiliated Lebanon would be preferable to a Lebanon tied to EEC. Should, however, such a tie-up take place, we would have to match the advantages derived by Lebanon from it in order to maintain our present strong position in the Lebanese market in the face of intensified European competition. (LCT)

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DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

GENERAL ECONOMIC RELATIONS (cont'd)

3. UNCLASSIFIED - Boycott Reorganization Proposed (CERP D-13g; Emb A-228)

The total number of foreign firms blacklisted since February 6 now stands at 122, of which 38 are American. Vintage Wines, Inc. is the only U.S. firm which has been added to the list of American companies reported in Embdesp 454 (BER No. 5).

New boycott developments include the de-blacklisting of the controversial Greek vessel S.S. PERICLES, which will now return to Beirut from Athens to unload her cargo of 10,000 MT of wheat; and the presentation to the Council of Ministers on March 14, by Minister of Public Works Pierre GEMAYEL of a plan to reorganize boycott procedures and administration. Under the Gemayel plan, the Lebanese Boycott Office (LBO) would be transferred from the Ministry of National Economy to the Economic Section of the Foreign Ministry, placed under the directorship of a trained and experienced economist with the rank of Minister Plenipotentiary; boycott investigation would be conducted by an inter-ministerial committee; recommendations for blacklisting or de-blacklisting would be made by the Foreign Ministry; blacklisting or de-blacklisting decrees issued by the Council of Ministers; boycott information would be regularly exchanged between the LBO and regional Arab boycott offices.

LIMITED OFFICIAL USE - COMMENT: Recent boycott developments point toward a compromise solution in the current controversy. It will take longer, however, to reach a compromise now, because the confessional issue has been injected into the matter, with Maronite, Lebanese nationalist Pierre Gemayel leading the anti-LBO forces against pro-UAR Minister of National Economy Rafiq NAJA and LBO Director Nadim HALLAK, both Moslems. (LCT)

FINANCE

4. UNCLASSIFIED - Expenditures on Public Works Projects (CERP D-12)

The Karame Government has been under attack by the opposition for its failure to accelerate the public works program. Minister of Public Works Pierre GEMAYEL has had to refute these charges by issuing a public statement that his ministry has spent LL 16.6 million between January 1 and March 5, 1962, whereas expenditures for the corresponding periods in previous years were as follows: 1961 - LL 5.4 million, 1960 - LL 6.3 million, 1959 - LL 5.1 million and 1958 - LL 5.9 million. Prime Minister Karame has recently urged quick implementation of all projects approved by the Government and is reportedly preparing a statement detailing the Government's accomplishments.

LIMITED OFFICIAL USE - COMMENT: The Karame Government in its ministerial statement last fall promised to execute public works projects according to a definite schedule. If Gemayel's figures are correct, the Government appears to be exerting more effort in this direction than in previous years. It seems, however, that the LL 16.6 million figure quoted by Gemayel consists mostly of administrative and contracted expenses rather than of amounts actually expended on projects newly launched.

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DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

FINANCE (Item 4)

These criticisms, whether justified or not, may be attributed to two main causes. Although business is slow at this time of the year, it seems to be more depressed than usual. Hence there are strong pressures being applied on the Government to loosen its purse strings. Another reason may be that pro-Nasser Arab Nationalists are retaliating against Gemayel for his continuing attacks on the Arab Boycott Office. (JHA)

LABOR

5. UNCLASSIFIED - Lebanese Labor Confederation Formed (CERP D-17)

On March 2, representatives of the United Unions, the Jami'at and the Federation of North Lebanon met to elect the first executive board of the Lebanese Confederation of Labor (CTL - Confederation des Travailleurs du Liban), thus bringing into being a new labor grouping for which a license was issued by the Ministry of Labor and Social Affairs almost four years ago. Gabriel KHOURY, President of the UUEW, will be President of the Confederation, while Hussein ALI HUSSEIN and Mustafa HAMZI, Presidents of the Jami'at and FUNL respectively, will be vice-presidents. Other officers are: Secretary General, Fuad KARANOUH (Jami'at); Secretaries, Khaled BARADI (FUNL) and Tewfick SALLOUM (UUEW); Treasurer, Ahmed SULTAN (FUNL); Accountant, Antoine SHIHA (Jami'at); Advisors, Edmond FRANGIE (Jami'at); Afif ZINATI (UUEW), and Azmi HAJER (FUNL). The new board is scheduled to meet this week with the Minister and Director General of the Ministry to discuss the Confederation's program.

LIMITED OFFICIAL USE - COMMENT: Without doubt, the catalyst which made possible final action in the formation of the Confederation after nearly four years of procrastination was the common threat posed to the three founding federations by the increased activity of leftist elements in the Federation of Independent Trade Unions (FITU) and certain non-aligned unions (see BER No. 4). Time alone will tell, however, whether the new body will be able to play a significant role in the Lebanese labor movement. (DRM)

FOREIGN AID

6. UNCLASSIFIED - AID Disbursements (CERP D-13)

The Banque de Credit Agricole, Industriel et Foncier (BCAIF) disbursed $194,956.72 in the month of February, making a total of $1,409,488.65 disbursed to Lebanon to date. Of this February amount, $84,000 was disbursed in Lebanon and $110,956.72 in the United States.

The above amount, together with the $360,002.74 drawn down by the Societe pour l'Industrie des Metaux (SIDEM), brings the total AID disbursements to Lebanon as of February 28 to $1,769,491.39. (JCW)

0882

DECLASSIFIED
Authority NND 949569
By PT NARA Date 7/23/04

COMMERCIAL OFFICE

7. UNCLASSIFIED - New Car Registration (CERP D-16)

10,624 passenger vehicles (including taxicabs) were sold in Lebanon in 1961, as opposed to 9,365 in 1960, a gain of 13.4 percent. An additional 975 buses and trucks brought the grand total to 11,599 motor vehicles, compared with 10,143 in 1960, representing an overall sales gain on all vehicles of about 14 percent. The total automotive population of Lebanon as of December 31, 1961 is 56,944 passenger vehicles, 7,915 trucks, 1,446 buses or a total population of 66,305 four-wheeled vehicles. There are also 4,953 motorcycles and scooters. (JCW)

8. UNCLASSIFIED - American Business Visitors

The log of the Commercial Office shows that the following Americans or representatives of American companies conferred with the Embassy between February 28 and March 13:

Mr. F.W. Phillips, Kuwait distributor of the Parker Pen Company, Janesville, Wisconsin; Mr. Robert Young, Mission Manufacturing Company, Houston, Texas; Mr. Robert Beukenkamp and Mr. David A. Anderson, AMF Atomics, Greenwich, Connecticut; Mr. John C. Wybro and Mr. G.R. Von Damnitz of the Worthington Corporation, Harrison, New Jersey; Mr. Landon K. Thorne, Managing Director, Bankers International Corporation, New York; Mr. Nasri Khattar, American architect (in connection with New York World's Fair Construction problems); Mr. Chafic Badre, Beirut representative, General Dynamics Corporation; Mr. Harold J. Daigneault, retired vice president, Allied Chemical & Dye Corporation, New York; Mr. Joseph Samaha, American Travel Agent from Washington, D.C. on "visit U.S.A." mission; Mr. John Howell and Mr. James C. Piculas, International GE, New York; Mr. Farah, American citizen, of Hayden Stone & Co., Beirut; Mr. Donald W. Shupp, Vice-President, MACCO Corporation, Paramount, California; Mr. Robert Heinemann of Westinghouse International, Beirut; Mr. Edward D.F. Whitehead, Director Meurogas Holdings, Ltd., Washington, D.C.; Mr. George F. Foley, President Astor Fibus; Mr. T. Streithorst, Newsweek Magazine, Beirut. (JCW)

TOURISM

9. UNCLASSIFIED - Visit of S.S. CONSTITUTION (CERP D-13)

The S.S. CONSTITUTION arrived in Beirut on March 13 with 400 passengers and a crew of 500. It is estimated that at least ninety percent of the passengers were Americans. An official of the American Export Lines told an Embassy officer that the Lebanese Customs and Security had been very helpful and that the Director of Tourism, Mr. Michel TOUMA, came aboard early on the first morning to welcome the visitors to Beirut. Various tours to Damascus, Baalbek, Byblos and even Jerusalem (by air) were scheduled for the passengers during a full two-day stay as well as non-organized visits to the Casino, the new Intercontinental Phoenicia Hotel and the bazaars of Beirut. It is estimated that each person on board the

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Authority NND 949569
By PT NARA Date 7/23/04

TOURISM (Item 9 cont'd)

CONSTITUTION, including the crew members, spent about $100 per person during the two days, which means a net gain to Lebanon of roughly $100,000 for this visit. The CONSTITUTION was the fourth large ship to visit Beirut in the past fortnight, the others being the OSLOFJORD, the LEONARDO DA VINCI, and the EMPRESS OF CANADA. (JCW)

AVIATION

10. CONFIDENTIAL - Air Liban Personnel Threaten Strike (CERP D-16)

We are informed confidentially by a Lebanese pilot, elected by his associates to voice their grievances, that Air Liban's employees are discontented with the management of Air Liban and are threatening to strike. They demand the appointment of a Chief Pilot; the reemployment of some 80 employees who have been dismissed since the turn of this year; and undertakings by management that airline personnel will not be further reduced. Reportedly, they fear that Air Liban's directors are not moving aggressively enough to equip the airline with modern jet aircraft but are, through ineptitude, allowing the airline to disintegrate.

CONFIDENTIAL - COMMENT: The anxieties of Air Liban's personnel are to some extent justified, for it does appear that Air Liban is falling further and further behind in the matter of equipment and is in imminent danger of losing some of its routes, through incapacity to exploit them profitably. Efforts of Air Liban's management to sell a controlling interest in the airline to someone with the capital and will to re-equip the airline have, however, proved thus far to be ineffective, largely because they have set too high a selling price. (JHE)

11. UNCLASSIFIED - TMA Buying Additional DC-4s (CERP D-16)

Trans-Mediterranean Airways, which in February, 1962, bought two DC-4s from Great Lakes Airlines, Burbank, California, is now buying two more from Zantop Civil Air Transport, Inc., Detroit, Michigan. The latest purchase will give TMA a total of nine DC-4s. (JHE)

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Evan M. Wilson
Counselor of Embassy

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